

**COMMITTEE ON FINANCE
(Budget Deliberations)**

April 11, 2006

6:00 PM

Vice-Chairman Gatsas called the meeting to order.

Vice-Chairman Gatsas called for the Pledge of Allegiance, this function being led by Alderman Smith.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Roy, Gatsas, Long, Duval, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Forest

Absent: Alderman Thibault

Vice-Chairman Gatsas advised that the purpose of the meeting shall be discussions relating to the proposed FY2007 budget as follows:

- a) Board of Assessors
 - 1) discussion of overlay account; and
 - 2) department budget.

Vice-Chairman Gatsas stated I guess the Board of Assessors has a presentation.

David Cornell, Chairman, Board of Assessors responded that is correct. Basically tonight we will go over four main topics. First of all being the new construction here in Manchester. Second would be the projected 2006 tax base, then our overlay projection and our budget. This is a highlight of some of the new property being constructed. There is a property at Bridge and Elm – the new apartment building. It is 204 units and there is also retail space on the first floor. Secondly there are 68 new condos being built. It is The Pointe. Those are selling in the high \$200's to the low \$300's. The Furniture Mall, which is across the highway from the Mall of NH. It is approximately 150,000 square feet on two floors of retail space. There is a new condo development off of Front Street. It is 54 new

condos. Approximately nine units were partially complete as of April 1, 2006 so we will capture most of that value in 2007. Next there is some development down by the baseball park. There is the Hilton Hotel, along with the Riverwalk Place condos. There are 10 new condo units at 17 Riverfront Drive. Those are right off of the Amoskeag Bridge. Those are being marketed in the \$500,000 range. Next is Waterford Place. It is a development off of Countryside Boulevard. The units that aren't highlighted, most of that portion of the subdivision is completed except for one or two houses that are currently under construction. The area in red in the back is the area that still has to be developed. Those houses are selling in the \$400,000 range. This is two examples of rehabilitation work taking place in downtown Manchester. One is at 52 Lowell Street. That is where the El Gaucho Restaurant is on the first floor and offices are on the second floor. On Hanover Street there is The Chop House. These are just two examples of property being redeveloped in the downtown section. Southridge Estates. There are actually three separate components of this. At the very top an over 55 development. Those are selling in the high \$200's. The middle portion, the cluster there, are detached condos and they are selling in the high \$200's. The bottom portion is single-family housing on approximately one-acre lots and those are selling in the \$400,000 range. Now French Hall was sold before April 1 of this year so that property is now on the tax roll. Additionally the Center of NH, the City owned portion of the garage, that will now be on the tax rolls this year. It will be fully taxable. The Holiday Inn on Brown Avenue, which was previously the Taje Inn added a new restaurant and that will be picked up for this year also. Regency Condominiums. There are 18 brand-new condominiums on Front Street that overlook the river. Those are being marketed in the high \$200,000 range. There is a redevelopment on Valley Street where Vista Foods used to be. It is now a Stop and Shop. Currently there is a gas station under construction but that is certainly a big improvement for commercial property on Valley Street. That is just a sampling of the new property under construction for 2006 going forward. What we would like to do now is project the 2006 tax base. One thing we think it is important to understand is the complexity about giving estimate numbers in the year of a revaluation. Essentially we have about 32,000 properties in the City and during a revaluation every single property in the City is revalued. So small changes in our base rate multiplied 32,000 times could have a significant impact on our estimate going forward. We do understand that as Aldermen you need the best projection that you can get. Certainly it is very important in this budget process. So basically what we did is we gave our best projections going forward understanding at this time the uncertainty. We came up with a figure of a net tax base of approximately \$9.7 billion and then we adjusted those figures by 3% upwards and downwards to account for the uncertainty at this time. It should be noted also that the exemption amount...we have the blind, the elderly and the disabled and we assume those will be increasing at the same proportional rate where they are currently at. Certainly that 100% is at the discretion of the Mayor

and Board of Aldermen where they move those to but just for projection purposes we moved those figures forward to give a rough estimate of where they would be. Certainly any change either positive or negative will affect the bottom line as far as the net valuation. So that is the 2006 projection at this time. At this time that is certainly our best estimate. Next we would like to move to the overlay account.

Vice-Chairman Gatsas asked does anybody have any questions on anything.

Alderman Roy stated right now we are doing the budget based on the 2006 numbers. Could you give this Board...you have given us the estimates and the minus 3.5% and a plus 3.5% margin. Could you give this Board a timeframe as to when we are going to be dealing with actual assessment numbers? We are trying to work out a budget now that is going to have a tax rate set by DRA in October or November using your numbers. So could you give us a timeframe of where we are at in the assessment?

Mr. Cornell responded basically the timeline is right around June 1 we should have the new figures. Now the new figures by June 1, that is going to be on the high side because we have informal hearings all summer long. We should have a more firm figure let's say by June 1 as far as what the high side will be realizing that even at that point there are still some estimates because we have all summer for people to come and explain why they feel their value is too high. In many of those cases they may have a good reason and those will be adjusted downward. As of June 1 we will have the high side. It is not uncommon to lose about 2% of the valuation during the informal hearing process and then by September 1 a final decision will be made on the informal hearings, taxpayers will be notified in writing about their informal hearing and whether there was a decision made or not to adjust it downward.

Alderman Roy asked and you are certain that June 1 we will have what you refer to as a high side accurate number.

Mr. Cornell answered at this time yes unless something were to deviate from the schedule but basically by June 1 we should have a good estimate of the high side.

Alderman Shea stated just before I came here a gentleman asked me a question and I hope I am wording his question correctly. He said why is the Mayor setting his budget at 1.2% less than whatever it was last year and not predicated on the new assessment? Could you explain publicly why that isn't possible? I tried to explain to him why the Mayor could not set his budget predicated upon the new assessment figures but could you explain why that isn't possible at this stage of the game?

Mr. Cornell responded I don't want to speak for the Mayor but certainly going forward we are going to have the revaluation this year and because values are increasing rather substantially we will have a dramatic decrease in the tax rate itself. So some of the properties are washes but there will be property owners that will pay more in taxes after the revaluation solely based on their particular property increasing at a greater rate than the average property in the City and, therefore, their taxes will be going up solely based on the revaluation.

Alderman Shea stated what I tried to explain to him is that we are trying to work on a budget now but the tax rate actually isn't set until all of the figures are presented to the DRA in October or November I guess so at that time even though there might be a change in the assessment that doesn't mean that everyone is going to necessarily benefit tax wise with the new assessment. So it is probably physically impossible for the Mayor or any Mayor to present a budget at this stage in terms of having all of the numbers and having a valid tax rate available. Is that correct?

Mr. Cornell responded it is certainly a challenge, even in our overlay projection. We are trying to look forward to a tax rate that we don't know yet. It is certainly a challenge.

Alderman Lopez stated we have to make a decision on the single tax payer for the exemptions and you have indicated \$29,900 and for married \$41,800. In order to put a budget together we need to know exactly...can you give us some information on when we should make that type of decision? I realize you are going to go into June but we need to make that decision.

Mr. Cornell responded certainly by June we will have a very good feeling on the average increase in the single family properties because in the single family properties that is the target that we are segmenting as far as those who get exemptions. In our original projection based upon our most recent ratio study the average home rate now in the City is assessed at 55% of market value. So we have 55% of market value and the exemption amounts would need to be increased by X to give the same proportional benefit.

Alderman Lopez asked is that a conservative number though. If you are going to go 3.5% minus or plus would that make a difference?

Mr. Cornell answered it could yes.

Alderman Lopez stated so it is a conservative number that we could use in our budget for now.

Mr. Cornell responded right and by June 1...because the reductions for the informal hearing, if they are all from residential properties there will be minor adjustments. So because we have so many residential properties we will have a very firm figure by June 1 for the single family home as to what the percent increase is that they have gone up.

Alderman Lopez stated looking at the 3.5% minus or plus would it be somewhere around \$9.7 billion assessed. Would that be the difference between both?

Mr. Cornell responded the \$9.7 billion is the midpoint and then we took 3.5% less than that and 3.5% greater than that. As far as the midpoint it would be the \$9.7 billion.

Alderman Smith stated I would like to go over the Veteran's credit.

Mr. Cornell responded the Veterans is actually a cash credit. It is an expense. It is not deducted from the gross tax base. It is on the budget side and not on the valuation side.

Alderman Smith asked so it is not in the budget per say right now am I correct.

Mr. Cornell answered it should be in the budget side as a cash item as an expense for the Veteran's credit.

Alderman Forest stated you are saying you will have the high numbers by June. I think the problem we have is we have to have a budget in place by June 1 so we would need some kind of best guesstimate as to what those numbers would be by May or the middle of May anyway so we can get the budget in by June.

Mr. Cornell responded right and we fully appreciate that and if we can get them sooner we certainly want to do that. The one thing we don't want to do is provide erroneous information that the budget is set on and come in high and then in the fall have a big negative surprise. So we are trying to be as fast as we can yet we want to be as thorough and as accurate as we can on estimating these numbers.

Vice-Chairman Gatsas asked is there any way that you can put together a projection for us the last time we had a revaluation and what the assumed projections were at that time when they were coming before a budget.

Mr. Cornell answered we can certainly look to see if it was done back in 2001.

Vice-Chairman Gatsas replied I would assume that somebody must have...there would have to be some sort of same correlation that came to this Board talking

about what the value was in 2000 and what the projection was going to look like in 2001 to see if that 55% because that number kind of rings true if I remember that values were at about 55% back then when the revaluation was done. So I am looking at the numbers and saying that there is a snapshot that says this is what it looked like in 2001 and at least we can go forward thinking this is probably where it is going to follow suit. You talked about 18-20 properties that you showed us pictures of. What was the value of those 18-20 properties that would have brought value to the City? What kind of value did they bring?

Mr. Cornell responded certainly all 18 brought value but as far as the 2006 actual values, we don't have those yet.

Vice-Chairman Gatsas stated no but you must have had some sort of values that were applied to them in 2005.

Mr. Cornell responded right some of those were partially completed in 2005 and some of them were halfway completed in 2005 or not even started yet. Assuming there was no revaluation we projected about a \$75 million net increase in the tax base this year, which would be roughly \$130 or \$135 million in the assessment this year going up to the 100% full market value.

Vice-Chairman Gatsas asked so if we didn't have a revaluation in place there would be an additional \$75 million in value that we could base our numbers on.

Mr. Cornell answered correct.

Vice-Chairman Gatsas asked based on that assumption, what would that do for the tax rate.

Mr. Cornell asked assuming no revaluation.

Vice-Chairman Gatsas answered yes.

Mr. Cornell stated the \$75 million is a figure that the Mayor punched into his budget so depending upon what the budget would do I guess it would depend on what happened to the tax rate itself.

Vice-Chairman Gatsas stated so basically what you are telling me is these new properties if I look at them, that is where that \$75 million roughly is coming from.

Mr. Cornell responded right solely those 18 but we have additions and new single-family homes but we wanted to highlight the major projects. There are a lot of

nickel and dimes out there that we will be picking up that help contribute to the \$75 million.

Vice-Chairman Gatsas stated if I look at these and just kind of pull out two that I know of, one being the hotel at the ballpark and those condos if memory serves me that is somewhere around \$20 million.

Mr. Cornell responded I believe it was \$23 million that we projected. The other thing is that is market value. Keep in mind that our assessments are at 55% of market value. So we would take the market value and equalize it assuming no revaluation.

Vice-Chairman Gatsas asked so if we took the \$75 million and generated I up to the \$125 million I think you said...I am trying to get some sort of idea of where we are going and how we are going to go forward. Those new generated numbers are going to create a dollar amount whether it is at an \$18 rate or a \$28 rate. There is revenue coming to this City that is over and above what we saw in the last budget cycle.

Mr. Cornell answered correct and just so I am clear also the \$75 million or the midpoint figure between the \$60 to \$90 million net increase this year is projecting new value added on and then we reduce it by any abatements that we process that year that the value is being reduced.

Vice-Chairman Gatsas responded right but I am going back to the same premise. You said \$75 million if we used old numbers. If I took the \$23 million out of there that leaves \$52 million. I look at some of these properties and if I do the match I am going to be up much higher than the \$52 million even at the old value.

Mr. Cornell replied right just keep in mind though that the \$23 million has to be equalized down to \$11 or \$12 million.

Vice-Chairman Gatsas stated that is not true because those numbers were based on 2005 numbers when you came before this Board to make sure the value was there.

Mr. Cornell responded right but that is full market value. I realize it gets...

Vice-Chairman Gatsas interjected full market value, wasn't that there for the hotel because we were looking for \$40 million in that project.

Mr. Cornell stated for the hotel we projected a little over \$10 million full market value. Assuming there was no revaluation this year we would have to treat the hotel like we do every other property in the City and say you are at the low 50%

margin. We would say the full market value is for argument purposes \$10 million at a 55% rate or a 52.7% rate, which would bring it down to \$5.2 million as far as current assessed dollars.

Vice-Chairman Gatsas asked so in currently assessed dollars it wouldn't be \$75 million it would be \$37 million then.

Mr. Cornell answered no. You take the current market value times the current ratio. The actual current ratio is 52.7%. So we take the \$10 million times 52.7% to bring it down to \$5.2 million for a current assessment.

Alderman Lopez stated I think it is what it is. It is a revaluation and it is \$75 million even though he indicates \$125 million. It makes no difference at this stage of the game because in my viewpoint anyway we have to deal with the figures of the revaluation. The \$9.7 billion is an assessed value that we have to deal with after we make all of the exemptions and everything. That is what we build the budget on - \$9.7 billion. I don't understand. What the Mayor presented he presented under the old system but the old system is gone. I don't know why we are even bothering with it anymore for the simple reason that there is \$9.7 billion. That is our assessed value and that is what we build our budget on. If we need \$151 million or \$155 million to do a budget, that is what we do. All of this other in between is not going to get us anywhere.

Vice-Chairman Gatsas asked are you looking to start with that clean sheet of paper I was talking about last night.

Alderman Lopez answered I don't mind starting on a clean sheet of paper. I don't mind that as long as we get the information that we asked for before and we are going to have to start with a clean sheet of paper because it is what it is unless we want to cancel the revaluation and the Assessors tell us we can't cancel the revaluation. It has to go into place.

Vice-Chairman Gatsas stated I am just trying to get a clarification. Under any circumstance if we were doing nothing and there was no revaluation there is \$75 million of new property that is on the books.

Alderman Lopez responded that is correct. That is the number the Mayor used. \$75 million.

Vice-Chairman Gatsas replied I am trying to get them to give me a number. They are saying it is \$75 million of new value that we have whether there was a revaluation in place or not. I am trying to find out what that revenue dollar is worth to the City.

Alderman Lopez responded he said about \$125 million or \$130 million I thought.

Vice-Chairman Gatsas stated that is what I am trying to get a clarification on.

Alderman Lopez asked what is the formula. Is it 5 cents on \$10 million or something like that?

Mr. Cornell stated \$75 million using the current tax rate would generate a little over \$2 million.

Vice-Chairman Gatsas asked so if we did nothing we have an additional \$2 million in revenue coming to the City?

Mr. Cornell answered correct.

Vice-Chairman Gatsas asked on today's books.

Mr. Cornell answered correct.

Vice-Chairman Gatsas stated I am trying to get...obviously I don't care what the number is. I am just looking at revenue. Even if you said it was new revenue at a different valuation the tax rate is going to come down and it is still the same \$2 million.

Mr. Cornell responded yes that is a good way to look at it.

Vice-Chairman Gatsas stated so it is \$2 million in new revenue. Now if you said to me that that number of \$75 million is really closer to \$100 million in today's value then we would be looking at additional revenue of maybe \$500,000.

Mr. Cornell responded right.

Vice-Chairman Gatsas stated that is the place that you are going to find revenue if we are going to find it based on the numbers that the Assessors have given us. On a clean sheet of paper we are starting with \$2 million additional dollars even if we say that the old dollars that they were generating back then \$120 million we now have \$122 million in revenue right?

Mr. Cornell responded right.

Vice-Chairman Gatsas stated now I understand. Does everybody else understand? We have \$2 million more we can play with.

Mr. Cornell stated the next is the overlay account and what we wanted to do was briefly explain why the overlay account exists. Essentially the overlay account is this. Every year every taxable property in the City gets a tax bill. For those who feel that they are too high they have a right to file an appeal. They can file an appeal locally. When they do that we act on it locally. We may grant an abatement or we may deny an abatement. For the abatements that are granted, the taxpayer gets a refund. Those funds come out of the overlay account. Now the next step if they are not happy at the local level because either we deny them 100% or we grant them an abatement but they feel it is not enough, they can then appeal to the state. They have the option to appeal to Superior Court or the Board of Land and Tax Appeals. At that point it takes sometimes several years for the cases to go forward. As an example we just finished up our 2002 cases about two weeks ago. So the purpose of the overlay account is when abatements are successfully granted the funds need to be taken out of the overlay account so let's say for an overlay account in 2002 even though the case may not be heard until 2004 or 2005 if that money is returned to the taxpayer it represents an expense from tax year 2002 and we need money set aside to account for that expense. So the next question is what is our projection for 2006 and how did we get there. We started with a thorough research going back to 1990 of what was appropriated every year in the overlay account. As you can see there it lists the year, the net tax base and then the funds received from the overlay account. So the average from 1990 to 2005 was about \$1.6 million in the overlay account. Now the important thing about a revaluation year is during a revaluation year we know that abatements increase significantly. In 2001 there were over 1,600 abatements filed and that represented approximately 16% of the tax base. We know have the benefit of hindsight so we can go back to 2001 and analyze each year and find out what was the true expense for tax year 2001 in the year of the revaluation. What we discovered was in 2001 the total expense was almost \$2.5 million. Now some of those...that includes expenses for 2002, 2003, 2004 and 2005 but all expenses back to tax year 2001 where the liability occurred. So we used this heavily in our analysis because there is a lot of estimating. For our 2006 numbers we are estimating what do we need in 2006 for appeals that can't even be filed until December 2006 and these cases won't be heard until 2007, 2008, 2009 and maybe even 2010. So what we did is in that case with the projection being so great typically history is a great way to go by. So if we look at the 2001 numbers and what actually happened it represented approximately 2% of the tax base ultimately being abated going through those years. So for the 2006 numbers we are essentially estimating the same 2% and to account for that we need \$3.2 million. In layman's terms we are essentially saying what happened in 2001 will repeat in 2006 and we need \$3.2 million to cover the expense for the future overlays.

Alderman Shea asked when you don't use the overlay during the course of four or five years do you still retain that. Do you put it in the general fund? What do you do with it?

Mr. Cornell stated if you look at tax year 2000 there was actually a zero amount appropriated to the overlay account. What happened there is we got a little ahead of ourselves or the abatements weren't as severe as they thought so there was actually a large fund balance that they could bring forward.

Alderman Shea asked do you have a fund balance now that you can bring forward.

Mr. Cornell answered right now there is a little under \$1 million in the overlay account and that is a proper estimate in our opinion right now for appeals in 2003, 2004 and local abatements for 2005. So the funds in that account today based on our best estimate should cover the abatements under appeal.

Alderman Shea asked so you don't need any money this year for the overlay account. What I am saying is because these other cases won't be heard until 2007, 2008, 2009 you will still need the difference between what you have now and the \$3.2 million? Is that what you are saying?

Mr. Cornell answered right because essentially the liability occurs in 2006 so even though it may be several years before those cases are heard and the funds are returned, the liability occurs in 2006 and is properly expenses in 2006.

Alderman Shea asked how much did the Mayor put in the overlay in his budget.

Mr. Cornell answered I believe he took the same figure as last year and moved it forward assuming and I explained this in Alderman Lopez's letter, assuming no revaluation we would probably be requesting about the same amount generally as we did last year.

Alderman Shea asked what did the Mayor request last year.

Mr. Cornell answered last year about \$766,000 was put into the overlay account.

Alderman Shea asked so basically what the Mayor put in this year was the same amount.

Mr. Cornell answered yes and that number was assuming no revaluation.

Alderman Shea stated what I am asking you is how much did the Mayor this year put into the overlay account.

Vice-Chairman Gatsas stated \$766,734.

Alderman Shea asked and we need this amount of \$3.2 million is that what you are saying.

Mr. Cornell answered yes we need this amount but just so I am clear the reason the amount...the amount always goes up significantly in the year of a revaluation because we are reshuffling the whole deck and we get a plethora of abatements.

Alderman Shea stated what I am asking is is there a large differentiation between what you say you need and what the Mayor put into the budget and what you had existing in your overlay account from a previous year. Is that correct?

Mr. Cornell responded that is correct but I think there were two separate...one was assuming no revaluation and of course we are assuming that certainly there will be a revaluation so that would be the distinction.

Alderman Shea replied well we couldn't assume there would be no revaluation because we already knew there was going to be revaluation last year. So basically who didn't assume there was going to be a revaluation? The Mayor? You? Me? What I am saying is we knew there was going to be a revaluation because that is common knowledge. We have to do it every five years and we put it off for a sixth year last year. What you are saying in essence is that the Mayor assumed in his overlay account to you in terms of the budget that there wouldn't be a revaluation or he didn't assume the fact that there was a revaluation so in essence the amount of money that you people need to cover your overlay is not sufficient in terms of what you are putting up on the screen. Is that correct?

Mr. Cornell stated for 2006 we will have a revaluation and certainly at this point we will need the \$3.2 million in the overlay account.

Alderman Shea asked and there isn't enough money in the overlay account according to what you are telling us you need. I don't want to be hard on you. I am just trying to get a handle on this.

Vice-Chairman Gatsas stated I understand where you are going, Alderman. The scenario that the Mayor has before us and again I guess I am going with Alderman Lopez who says we are on a clean sheet and we need to build our budget based on a clean sheet but he did the assessment...the Mayor from what I am hearing from Mr. Cornell didn't assume any increase in value. That is why when you see his tax rate it is the current tax rate as we see it without a revaluation in place. I guess my question is in 2001 a lot of these people were sitting on this Board at that time

and we did a budget and if we would have taken your same assumption the overlay should have increased drastically from where it was set in 2001 after the revaluation. What you are saying is that most of those abatements don't come until...they can't be filed until December and it seems like they come into play two years later because if you look in 2003 that is where the overlay account really grew. So we can sit there and you can tell us it is \$3.2 million but we as a Board can put in \$1 million and it goes forward for the year that we are looking to expense it even though it comes out of this year.

Mr. Cornell responded just so I am clear it is the Assessors who set the overlay account. Our job is to properly protect the City for the liability it incurs and we want to do our best to convince the Board that the figure that we put on is the accurate figure.

Vice-Chairman Gatsas stated I would say that the history that you have shown that other Assessing Boards have looked at the number in 2001 and said the overlay account should be \$1 million and that is what you are showing me up here because it went from a \$2.5 million expense to \$1 million.

Mr. Cornell replied keep in mind also there was about \$700,000 that was actually moved forward. There were extra funds out there that they could move forward so that moved it probably \$1.7 million and then the expenses were a little bit higher than they thought so they had to start taking money and moving it back.

Vice-Chairman Gatsas responded correct but that would be up to this Board.

Mr. Cornell replied the Board of Assessors actually sets the overlay account.

Alderman Lopez stated we went through this during the last budget process. The Finance Officer testified before us along with the City Solicitor that the Assessors do set it. Whatever they say, that is it. We can't change it. Now when it goes up to the DRA if we don't put enough money in there if we wanted to say you are going to do it, it is not theirs...when they go to the DRA the Chief Finance Officer and the Assessor are going to be asked how much money are you putting in the overlay and if they say \$3.2 million or \$4 million the DRA is going to put that in there. Let's not kid ourselves. Those are the rules of the game.

Alderman Gatsas stated I understand the rules of the game, Alderman, but I would certainly say that if somebody is telling me that the rules of the game in 2001 shook out to a different number I am going to ask the question why. It can't be a triple because we haven't tripled our valuation.

Mr. Cornell responded if I could part of it is in a different methodology that we are moving towards now. It is our understanding that the proper way to expense this is accrual based accounting, which previously was more on a cash based accounting.

Vice-Chairman Gatsas asked is that your decision or is that the Finance Department's decision.

Mr. Cornell answered we have talked to the Finance Department and they have given us their indication that that is the proper way to expense for this.

Vice-Chairman Gatsas asked could I get a clarification Kevin. Do we as a Board have the ability to say whether it is cash or accrual?

Kevin Clougherty, Finance Officer, stated we do our financial reporting like every other City in the United States on generally accepted accounting principles, which is an accrual basis not cash. I don't know if there is a city, town or state still on a cash basis. It is generally accepted accounting principles and that is what is being looked for by your credit ratings and your underwriters. If you were to go in and say that you decided to move away from that to go to a cash basis, that would be a disaster.

Vice-Chairman Gatsas asked is this number a cash basis that we see before us on the overlay account from last year or is it an accrual basis.

Mr. Clougherty answered it is an accrual basis.

Vice-Chairman Gatsas asked is the 2001 an accrual basis or a cash basis.

Mr. Clougherty answered I would have to go back and look at that. As he said there was a change in the accounting rules. The accounting rules are evolving. They are changing rapidly. There are a lot of things that are happening with respect to how they want to have governments reporting. I can go back and look at that for you but as Alderman Shea and Alderman Lopez said the determination on the amount is the Assessors.

Vice-Chairman Gatsas stated that is a \$2 million change.

Mr. Clougherty stated well again as David pointed out you have to take a look at...what is not up there is the fund balance that was in the overlay account that was carried forward. So you don't have the entire picture with that one column.

Vice-Chairman Gatsas stated if I am just looking at the overlay accounts for the previous years if I took them at 100% as a roll in I am not going to get to that number.

Mr. Clougherty responded again you are not looking at the entire picture up here. You have the tax base and the overlay received. You have to look at what the draw downs are and what the balances are year to year to get a total picture. The CAFR is going to have that.

Vice-Chairman Gatsas stated but 2002 is cleared out. There is nothing there.

Mr. Cornell responded the last case for 2002 has now been heard and a decision is forthcoming.

Vice-Chairman Gatsas stated I am just saying if you took 2003, 2004 and 2005 you are at about \$2.9 million if none of those other cases were cleared out.

Mr. Cornell replied keep in mind the fund balance coming forward. In that highlight in 2000 zero was requested and certainly there was too much money in the account so going forward...

Vice-Chairman Gatsas interjected so I guess you need to show us what the carry forward balances were.

Mr. Clougherty stated exactly. You don't have the entire picture here and I think that is a little bit misleading to you.

Vice-Chairman Gatsas stated so I guess you need to get us a sheet that shows us the carry forward balance.

Mr. Cornell stated that is why we wanted to highlight...the most recent example we have for the revaluation is the 2001 revaluation so we looked not at what was received but what was expended. What we are trying to figure out now is what is the total expense that we are going to experience for tax year 2006 and if we look at what were expenses for 2001 it was about \$2.5 million.

Vice-Chairman Gatsas asked what was the carry forward balance for 2000. That is the picture we have to see.

Mr. Cornell answered that was the cash coming forward and the cash coming back but what were actually expenses was about \$2.5 million.

Alderman Roy stated David as you look at the \$766,000 being carried over from last year that will be applied to 2003, 2004, and 2005 abatements.

Mr. Cornell responded right now we have a little under \$1 million. Assuming that everything pans out the way it can that will pay for the current abatement that we have for 2003, 2004 and 2005.

Alderman Roy asked so the \$902,000 that you have in the current balance now will take care of 2003, 2004 and 2005 abatements.

Mr. Cornell answered it should but let me just take this opportunity to say sometimes how difficult it can be.

Alderman Roy stated right. You have to go to Concord and win the cases and the abatement has to be set when you lose.

Mr. Cornell responded the case that came through two weeks ago if the Board would have believed what their appraiser was saying, the City would have had to return about \$500,000. If they would have split the difference, we would have had to return about \$250,000. We won hands down. Steve won hands down and should be congratulated. We didn't have to return a nickel. So we may think we have a great case but let's just say the Board ruled to split the difference. That would be \$250,000 that we would then be giving back. So these projections are tough to make and some of it is out of our hands because it is in a court's hands.

Alderman Roy replied I agree with you. I do want to move to a final question. I do congratulate Steve on that victory and we expect that every time you guys go to Concord. That is why you are our great Assessors. Looking at the \$3.2 million needed for the 2006 abatement are you comfortable building that over the next three years starting with the \$766,000 this year, an amount that you set next year and the amount that you set the year after that. Is that a fair assumption?

Mr. Cornell stated it is our job to properly notify the City of the potential liability that accrues in tax year 2006. We feel that \$3.2 million is the proper figure for the liability in 2006. Certainly we are not accountants but it is our understanding that that is the proper way to expense it.

Alderman Roy asked so you are comfortable with that \$3.2 million projection of getting that \$766,000 this year an amount that you set next year and an amount that you set in FY08.

Mr. Cornell answered well no. Based on accrual accounting we would take those funds this year and it really makes sense if you think about it because the money

that we are returning was collected in 2006 so that is \$3.2 million that we collected in 2006 that we are returning to the same taxpayers back in 2006. So it really makes sense accounting wise.

Alderman Roy stated you are getting to where I am trying to get you to go. So if we switch and use the updated assessment numbers, your predicted overlay would go to \$3.2 million?

Mr. Cornell responded right we are predicting \$3.2 million.

Alderman Roy asked so if we go ahead and use the projected number or switch it as of June 1 then you will be coming to us and switching the overlay to \$3.2 million.

Mr. Cornell answered right. We are telling you right now that for 2006 we need \$3.2 million for the overlay and that is what we are projecting at this time that we are going to set in the fall.

Alderman DeVries stated I guess my question is the obvious one. Why did your office recommend to the Mayor that he use the number of \$766,000?

Mr. Cornell responded that is not a figure that we recommended.

Alderman DeVries asked did you make a recommendation.

Mr. Cornell answered no we did not.

Alderman DeVries asked so you weren't asked for the updated overlay.

Mr. Cornell answered no.

Alderman DeVries stated I guess I am confused as to why you would not have attempted to alert him that there was going to be a change in the needed overlay. Probably because an appointment hadn't been made at that point in time?

Mr. Cornell responded keep in mind if you look at the Mayor's figures as far as the projected tax rate and the projected tax base it assumes no revaluation and with no revaluation like I explained in Alderman Lopez's letter the \$776,000 range was not a...is a fairly accurate figure to put in the overlay account.

Alderman DeVries asked is there additional information you need.

Mr. Cornell stated we provided a memory on February 17, 2006 of our projected overlay expense also.

Alderman DeVries asked so you did alert his office on February 17, 2006.

Mr. Cornell answered right. We notified all of the Aldermen that our projected overlay account for 2006 would be \$3.2 million.

Alderman DeVries asked at that point in time you said that went to the Aldermen so that would have gone to the Mayor also.

Mr. Cornell answered that is correct.

Alderman Shea stated that is what I was referring to before when I mentioned that to you.

Alderman Smith stated on the abatements, David, I notice that you have a lot in the next three years – 2003, 2004 and 2005, 526 abatements contested. How many do you project for a year with a revaluation?

Mr. Cornell responded in 2001 we had over 1,600 appeals. Additionally that represented about 16% of the tax base. So it is reasonable to think in 2006 we are probably going to have an additional 1,600 or 1,700 appeals probably representing about 16% of the tax base or about \$1.5 billion would be under appeal.

Alderman Lopez stated I know that David you don't have the answer to the question but I think Kevin it was 1990 when we started that new system under Mayor Wiczorek. The system has been in existence for over 15 years.

Mr. Clougherty responded that is correct, Alderman. As I said the Charter says that you will follow generally accepted accounting principles and that is what you are trying to get to. With respect to this year's budget and the Assessor's number, what might be helpful is under the Charter the Mayor has a responsibility for laying out what the procedures will be for the preparation of the budget. Mayor Guinta's position is, as I understand it, that he wanted to be able to present a budget that would compare the effects of the spending program with respect to the tax rate. The only way that you can do that is to equalize the valuation number and the overlay number as David has been explaining so that if when the Board is adopting its spending decisions or when the Mayor was presenting his spending decisions he wanted to be able to say how is this going to affect the tax rate so that people could see was it a tax increase or decrease because if you added the new valuation to that line underneath and the new overlay the tax rate would drop

considerably and he thought that would have been misleading so that is why the decision was to go as I understand it the way he did with his presentation.

Alderman Lopez stated I don't think anyone is questioning the Mayor on his presentation of the budget. He used a FY07 budget with FY06 information. That is how he got the \$766,000 overlay figure. So they used double numbers, okay, and mixed the 2007 budget with 2006. It is what it is. I think we can move on but the point I want to make is since 1990 we have been using this type of system and David wouldn't know that.

Mr. Cornell responded certainly part of the challenge is the complexity and the uncertainty of projecting the overlay realizing that we don't know the number of appeals and realizing that it goes out two and three years and we don't know how either the BTLA or Superior Court will decide in these decisions. So certainly it is difficult to make accurate predictions on that. That is why in this case we figured the best way would be to look back to 2001 and use the same percentages.

Alderman Lopez replied I understand that. Let's just put the thing to bed because the Assessors are going to set the overlay and the Solicitor is going to say yes that is true and I don't think this Board has the authority to change it. That is what we have been told before.

Alderman Shea asked, Kevin, when did we change the fiscal year. Would that be recorded in this particular overlay because we went from 12 months to 18 months one year?

Mr. Clougherty answered that was the 1993/1994 budget. That was well before this.

Vice-Chairman Gatsas called for a recess.

Vice-Chairman Gatsas called the meeting back to order.

Vice-Chairman Gatsas asked are there any other questions for the Assessors. For the record, Alderman Forest has left. So from my understanding David, what you are going to bring us is a complete picture from the 1999-2000 and the carry forward and the overlay?

Mr. Cornell answered as far as the carry forward balance we can certainly try to get what was actually expensed. Are you looking at what was actually expensed in each year?

Vice-Chairman Gatsas responded I am looking at what was carried forward in the previous year. Do we need anything else, Finance Department, for you to do any other calculations on the front end?

Mr. Clougherty replied no.

Alderman O'Neil stated on that slide you have up you mentioned 2001 was a revaluation year. Do you happen to know off the top of your head what other years were also reval years in that time period?

Mr. Cornell responded 1991.

Alderman O'Neil asked so 1991 and 2001.

Mr. Cornell answered yes. I should highlight that the important part of what we are trying to do here is what was the actual expense. What was received is in one column but what was actually expensed especially for 2001, the most revaluation, was about \$2.5 million. The other thing I think it is important to note if we could go back to the slide before is if you look at the last two revaluations or if you look at the difference between 1991 and 1992 and then if you look at what happened in 2001 and 2002, after both revaluations you will see the tax base is actually shrinking. That is because all of the abatements are taking more value off and adding new value on so by properly expensing it in the year it helps counterbalance the shrinking of a tax rate that we have experienced in the last two revaluations.

Vice-Chairman Gatsas stated I guess what we need is a better definition of the word received. Give me a definition of the word that you are using as received.

Mr. Cornell responded received here are the dollars in that year that were credited to the abatement account.

Alderman O'Neil asked those are actual dollars.

Mr. Cornell answered yes actual dollars in that tax year that were credited to the abatement account.

Vice-Chairman Gatsas asked that would have been for the \$2.5 million expense.

Mr. Cornell answered right. So in 2001 there were funds moved forward to pay for the abatements that were happening and then in 2003, 2004 and 2005 we had to move funds backwards to account for those overlay expenses.

Alderman Roy stated just to make this easy in FY06 that we are currently in you received \$766,000. That was credited to the \$2.5 million that you expensed in 2001?

Mr. Cornell responded no. The balance is now built up so the cases that will take place this year, next year and the year after those funds will pay for those cases coming on line now.

Alderman Roy asked so it is part of the \$902,000 balance that you have currently.

Mr. Cornell answered correct.

Alderman Lopez stated I think the way I understand it and maybe you can help a few people but let's take the year 2001. There was \$1.081 million received in the abatement account. If all of the abatements were taken care of in 2001 with that \$1.081 million and let's say for the sake of argument that \$1 million was paid out and that year was closed out and you can correct me if I am wrong but yes the fund balance would remain \$81,000 to be moved and forwarded into 2002 and when you do the 2002 budget that would probably be \$81,000 less that they would request in the abatement account. That rolls right along. Would you agree to that?

Mr. Cornell responded that is correct and that is why you see the zero put into the account back in 2000 because there was a big fund balance built up so there were actually more funds in the overlay account then they needed so they were able to take those funds and move them forward.

Alderman O'Neil asked is there a way you can break that out. It is a little confusing to be honest with you.

Vice-Chairman Gatsas stated let's try this for an explanation. We are a brand new city. There is nothing in the past. Our first evaluation happens this year. Explain to us very slowly in a first grade method because I know you guys have been around it for 150 years so explain to us we are a new city and going forward. I know Alderman Lopez gets a lot of briefings on this so maybe he can bear with us so the rest of us understand.

Alderman Lopez replied I have no problem. I was on the Charter Commission and I was very instrumental in keeping the Assessors as officers of the City so I am well aware of what goes on down there.

Vice-Chairman Gatsas stated so we are a brand new city. Explain to me what you want to do because the evaluation came in at \$9.7 billion.

Mr. Cornell responded so for 2006 \$9.7 billion in valuation. We know in reality there is about 2% where that is probably too high. So instead of \$9.7 billion maybe \$9.5 billion is the true accurate assessment for the city. So there is that \$200 million out there that we need to abate. So we need to collect money so that when we make a refund for these \$200 million of assessments that we need to abate we have money set aside in an account to pay for that. Now all of those cases won't be heard in 2006. They will be heard in 2007, 2008, 2009 and maybe even 2010 but the funds collected should be properly collected in tax year 2002.

Vice-Chairman Gatsas stated but that \$200 million has to have a value to it. Do you use the current tax rate value to it?

Mr. Cornell responded no. We had to pick a number for a tax rate. We picked \$16 per \$1,000.

Vice-Chairman Gatsas replied so that \$200 million would allocate to about \$320,000.

Mr. Cornell responded roughly yes.

Vice-Chairman Gatsas asked is that the right number. I just did it off the top of my head.

Mr. Cornell answered it is \$3.2 million so roughly a little over 2% of the \$9.7 billion if you take a little over 2% off of that and I believe it is actually 2.03% you will get a figure of a little over \$200 million. You divide that by \$1,000 and multiply it by \$16 and you will roughly get the \$3.2 million.

Vice-Chairman Gatsas asked so if I go back and look at the 2001 and say that was our first year that correlation is going to be the same.

Mr. Cornell answered right. Roughly around 2%. 2% of the tax base back in 2001 based on a tax base of about \$5 billion or \$5.1 billion about 2% of that was abated but keep in mind the tax rate back in 2001 we are projecting will be higher than what it will be in 2006. So \$1 million abated back in 2001 was a little over \$23,000. Assuming the tax rate is \$16 per \$1,000 in 2006 if we abate \$1 million we will only be returning \$16,000.

Vice-Chairman Gatsas responded right but let's take that correlation that you just had and the 2% is the same. The 2% in 2001 created a number. That number was \$100 million is that right?

Mr. Cornell stated maybe to be exact it may have been \$114 million.

Vice-Chairman Gatsas replied for practicality purpose let's use it and I don't know what the tax rate was but the tax rate had to have been higher than \$10.

Mr. Cornell responded right it was \$23 I believe.

Vice-Chairman Gatsas asked so can you see the point I am trying to get to. The correlation if the tax rate was \$23 dollars then that should have been reserved at \$2.3 million.

Mr. Cornell answered let's say in 2001...

Vice-Chairman Gatsas interjected am I correct.

Mr. Cornell stated in 2001 if we knew the exact amount was that we would expense to the overlay account we would have expensed \$2.4 million in 2001 to cover all of the 2001 cases.

Vice-Chairman Gatsas responded I don't think that was in the overlay account in 2001.

Mr. Cornell replied right. \$1 million was given and there was about another \$700,000 that was brought forward.

Vice-Chairman Gatsas asked so if I am looking at those correlations they should be the same somewhat in 2001. I guess you need to give us the rest of the data.

Alderman DeVries stated I guess another piece of the assumption that I might question, you had indicated that in 2001 the abatements filed equaled 16% of the tax base.

Mr. Cornell responded that is correct.

Alderman DeVries stated and that became part of the assumption for the necessary overlay that the 3.2% is predicated on. My question to you would be if five years ago...because in 2001 it had been a decade since a revaluation and you had some major cases which you had to settle that did abate in 2001 and based on that historical piece and I think the Mall of NH is one that comes to my mind immediately but your 2006 revaluation is more likely to be...because it was a recent court case. The assumption of 16% with some of these recent settlements of rather large abatements from 2001 maybe that 16% is not a good assumption to be using. Maybe it will be somewhat lower since it has only been five years since the last revaluation when you did prevail on some of the major court cases.

Mr. Cornell stated right. The only thing there is if you look at the percent of change from 2000 to 2001 and the last tax base, the tax base increased about 34%. The percent changes we are anticipating this year we are expecting the tax base to grow roughly 82%. So the percent changes during this revaluation will actually be much greater than they were from 2000 to 2001. In just the sheer magnitude of that we do expect a lot of abatements. The other thing is in 2001 and 2002 the market continued to climb rather dramatically so the ratio coming out of the revaluation we were actually at 91% in 2001. Just the way the ratio worked if somebody looks at their property tax card and sees that we have it assessed at \$270,000 and they know it is worth \$300,000 they are probably not going to file an abatement even if they do the actual ratio it may show that we are a little bit too high based upon the ratio. That might be a bad example.

Alderman DeVries stated I just wanted to ask if either of the other two Assessors had any comments or if they wanted to say anything because we are a Board of three Assessors and if anybody wants to speak to help us understand or has anything to address here I would love to hear from them.

Stephan Hamilton, Assessor, stated the overlay, the best way that I can explain it is if it as though we were selling a product that we were giving a guarantee on because our property tax bill that we send out comes with a guarantee. Every taxpayer has the right to file an abatement to appeal that assessment. So that is pretty much a guarantee that is given in the collection of taxes. So if we were selling a product, say a washing machine, and we sold it and thought well we made \$100 selling that washing machine, we really didn't make all of that money because we have to expect that some of those washing machines will come back to us either to be repaired or to be replaced. So that overlay account is similar to a guarantee. I am not sure if that helps to explain it at all but my understanding of the accrual basis of accounting is that when we sell a washing machine we want to make sure that we are putting some money away in case we have to repair it or replace it. Really that is what we are doing with the overlay estimate. We are putting enough money aside to account for all of those repairs or replacements that we may have to make to the property taxpayer.

Alderman DeVries stated thank you very much for the simple explanation. I think what Alderman Gatsas was explaining earlier was if you look at a proportional increase of the net tax base and you look at a percentage of the overlay put aside in 2001 versus the value in that year we are now give or take that margin of error doubling that amount but we are more than doubling the amount of the overlay and I think that is the piece that we are questioning from the Board. Why are you assuming that there will be a greater number of abatements this year than we had in 2001 and thus asking us to put a larger overlay account aside?

Mr. Hamilton responded if we look at the actual overlay expense or what we had to return to taxpayers in tax year 2001 billing it is a little bit under \$2.5 million. We are asking for an overlay of \$3.2 million. That is not double the amount. We are just looking to account for that anticipated expense in the year that we are collecting those taxes.

Alderman DeVries replied and in 2001 they didn't have to do that for whatever reason and I know that was a prior group of Assessors except for maybe Tom.

Thomas Nichols, Assessor, stated the other thing I wanted to explain is let's just say that everybody appeals...how many did we anticipate this year.

Mr. Cornell responded in 2001 there were roughly 1,600 appeals. This time we anticipated roughly the same amount. It is around 1,600.

Mr. Nichols stated let's just say that 1,600 appeals come in and let's say that we adjudicate all of those appeals that year. If we don't have the appropriate amount of money in the account now what is going to happen next year and the year after? Say half of them are heard and half of them aren't. We have to have the money to protect the City.

Alderman Shea stated we can probably beat this to death. My question to you is let's assume for the sake of discussion that the Mayor's budget is adopted. It is adopted in totality. Who puts the money back into the budget if they need to put an overlay amount in and you go up to Concord and they say we are not accepting this you have to add more money? Who puts that in? We are not going to put it in? Does the Mayor have to put it in?

Mr. Cornell responded the Assessors are responsible for dictating how much goes in to the overlay account. Certainly we want to make the Aldermen as comfortable as we can in understanding the analysis behind why our figure is accurate.

Alderman Shea stated I understand that. Whatever we are talking about here is in different stages but in the final analysis when it comes time for a decision and the decision is made that we have \$900,000 plus the \$750,000 that the Mayor has put in and you go to Concord I am wondering who puts that additional money in if additional money has to be put in.

Mr. Cornell responded the Department of Revenue when they set the tax rate ask the Assessors what are you requesting for an overlay account. The amount that we request is the amount that is set in for budget setting purposes.

Alderman Shea replied so the answer is somebody has to put it in right.

Mr. Cornell responded the Board of Assessors are the ones who set the amount that goes into the abatement.

Alderman Shea stated so somebody has to put in the additional amount of money someplace.

Vice-Chairman Gatsas stated and then the tax rate, Alderman Shea, is adjusted upwards to make up for that.

Alderman Lopez stated I have a question for the Finance Officer. Kevin in submitting to the DRA the forms necessary would you be submitting under the new revaluation or would you submit under the budget that was proposed by the Mayor if we approve it?

Mr. Clougherty responded the appropriations would be the same under either circumstance. The revenues, the non-property tax revenues, would be the same under either. The valuation number would be the new number that is presented by the Assessors and those the three ingredients.

Alderman Lopez asked so if the Assessors are saying \$3.2 million in an overlay account you would have to report that.

Mr. Clougherty answered right that would go on.

Alderman Lopez asked you would not report \$766,000 is that correct.

Mr. Clougherty answered right. They would put in what they believe is the right overlay number and the right valuation number. There would be two numbers that are going to go in different than what you have on that spreadsheet that the Mayor gave you. One is the valuation number and one is overlay.

Alderman Lopez asked when we look at the state educational tax that is where the \$9.7 billion would come in versus the \$5.2 billion correct.

Mr. Cornell answered that is correct. The \$9.7 billion is our projection of the net tax base.

Alderman Lopez stated the point that I am getting at here is that we have to deal with the revaluation numbers in doing the budget. You can't do it with the old system. That went out come April 1. It is gone. So we are dealing with a

revaluation that is mandated by law so we have to use those numbers in presenting the budget. Let's not kid ourselves that we are going to use the 2006 numbers when we go up to Concord because we are not.

Mr. Clougherty responded that is fine Alderman. On the sheet that you have that the Mayor presented, it has the comparison of FY06 to FY07 on an equalized tax base if you will so that you can see what the actual increase in taxes is if nothing changed. What you are saying is...if you were to release what the estimate is of course the tax rate is going to be different because the valuation number and the overlay are going to change. So at some point in time you are going to want to take a look at when they have a better number what that new tax rate is going to be. If you just took and put in on that sheet that we give you the new valuation number that they are proposing and overlay you would have the tax rate for last year at say \$30 and the new tax rate would be way down here and you wouldn't be able to compare the impact.

Alderman Lopez stated it is possible that we can get even a greater tax cut because of the 82% but we will have to work out those numbers.

Mr. Clougherty replied right this is a work in progress and as they are getting more information to you, you may want to take a look at all of those numbers so you have an idea of not only what is a comparison of 2006 to 2007 on an equalized basis but what is the rate actually going to be projected to given your best information as you have had in the past. You really have to look at both.

Alderman Lopez stated I am just pointing that out because I think we should deal with what is and not what was. That is where we are going to get ourselves in trouble.

Vice-Chairman Gatsas stated let me understand. If we just took where Alderman Lopez has been going and say we accept everything on the first two sections of the sheet that you give us and then there may be alterations and I understand that they are not etched in stone but let's say today they were. We are in June and the number was \$9.7 billion and we used that number and plugged that in and plugged the \$3.2 million in.

Mr. Clougherty responded you would have a much different tax rate. The tax rate would be as everyone is saying much lower and it wouldn't be comparing apples to apples in terms of the tax rate. I think what the Mayor has been trying to do in his presentation is to show what the impact of spending is as a comparison to show what the tax rate would be short of the property valuation piece, which is going to have an impact on the bills to the individuals. I think it used to be in the past David and I don't know if this still holds but like 1/3, 1/3, 1/3. A third of the

properties will stay the same, a third will see an increase in their bills and a third will see a drop in their bills and that is all as a result of those two lines at the bottom of the page. It is not because of anything you have done in the spending or revenue side.

Vice-Chairman Gatsas stated basically what you are going to see is that 37% reduction in the tax rate, which isn't comparing apples to apples.

Mr. Clougherty replied right.

Vice-Chairman Gatsas stated even though it is \$17 or \$18 and the rate from 2006 was \$28 it is not a comparison.

Mr. Clougherty responded right.

Alderman Lopez stated one other thing I would like to point out is if we look at the bottom sheet, which is \$151 million we have to raise in taxes, if we utilize the \$9.7 billion of assessed property working on that basis and those numbers alone the tax rate would be \$16.57.

Vice-Chairman Gatsas replied no it wouldn't.

Alderman Roy stated when you add the \$151,283,000 in the Mayor's proposed and you guy with the new number you would have to increase the overlay to \$3.2 million, which would increase the \$151,283,000 to \$153,716,576. So if you plug in the \$9.7 billion and the \$3.2 million in overlay and all of the Mayor's other numbers you come out with a tax rate of \$17.85 per \$1,000.

Alderman Lopez stated right and you have to add for the Veteran's exemption and stuff like that. I understand that.

Alderman Shea stated what I am interested in is when all of this is cleared away how do we reconcile any differences in the overlay account that may be necessary because of the figures. Where do we get that? Can we tap into the rainy day fund? Can we tap into the trust fund?

Mr. Clougherty responded what happens is the Department of Revenue Administration and the state laws have said that the determination of overlay is exclusively the Board of Assessors for the cities and towns because they feel that is an apolitical way to handle this. That they are going to put in what they need to make these abatements and be fair about it because they are the ones whose necks are on the line to make sure the abatements are made. So under state law there are several forms, as you may recall, that go up to the state to set the tax rate. The

school fills in theirs, the City fills in revenue and expense and the Assessors fill in the valuation and the overlay number and that is how it is calculated. Can we do...what we have tried to do on the sheet you are all familiar with is to try and give you an idea of what that will be so that in July you have some idea as to what the tax rate will be in November when the rate is set but it is a forecast and there have been years as the Board knows where valuations come back and they have had to change and that has raised the rate. It is a forecast. The only thing that does stay is certainly the appropriations that you make, the expense side, the non-property tax revenues that we take a look at as we are going forward. That is something that I certify and the Assessors certify the overlay account.

Alderman Shea asked in years past I think Alderman Lopez indicated that when we had a problem with the overlay we had to cut back on department expenditures. I am not quite sure if it was 1% or 2% or whatever the case might have been. Let's say for the sake of discussion that there are no ways of cutting back unless we invent new ways. Maybe we can with creativity of course but in the event that we can't because of a budget that has been submitted and again I am getting ahead of myself here but what resources do we have?

Mr. Clougherty answered other than cutting, Alderman, once you have made your appropriations the only recourse is a tax rate increase. I wish there were another answer but that is the long and short of it.

Alderman DeVries stated I think I am ready for the final discussion on the budget, which is the last couple of pieces. I see that they have presented the difference of the 3% cut that you requested that they do last night but I don't know that they had an opportunity to tell us what that actually means to their department. How would you accommodate that? I think that is the other piece we are waiting to discuss.

Mr. Cornell stated the spreadsheet on page 12 lists five different columns. The first column is the Mayor's budget, what we requested in the FY07 budget, our FY06 budget with a 3% cut and the difference. Certainly with the 3% cut we would have to cut back on full-time employees probably to part-time. That would be the difference with the 3% cut.

Alderman O'Neil asked one more time on a 3% cut.

Mr. Cornell answered with a 3% cut employees that are full-time would have to cut back their hours to part-time to compensate for that.

Vice-Chairman Gatsas stated let's not go there because then you have to cut your health insurance if you are taking full-time people to part-time. Then you have to cut your health insurance much more drastically than a 3% cut.

Mr. Cornell responded this is just a 3%...

Vice-Chairman Gatsas interjected the statement that you just made is quite clear. You have to take full-time people to part-time. If you did that you would have to cut your health benefits to accommodate that because there would be no health benefits available.

Mr. Cornell replied that is correct. We would have to cut back on the hours and I am not sure for the HR Director what would the hour limit be before we would cut the health benefits?

Virginia Lamberton, HR Director, stated all employees have to work 40 hours in order to get health and dental insurance.

Vice-Chairman Gatsas stated I guess you are going to have to rework your 3% cut.

Mr. Cornell responded right. We tried to discuss this as best we could today but...

Vice-Chairman Gatsas interjected right and obviously you just presented this to us this evening. None of us have had an opportunity to look at it to formulate questions.

Alderman DeVries stated since I had the floor my suggestion might be since they really only had the one day since we asked for that last night that we somehow work this part of the presentation in with another department to give them more time.

Vice-Chairman Gatsas responded I don't have a problem with it. You are the one who brought it up and wanted to move forward.

Alderman DeVries replied well just because this is the only time allotted to the Assessors and I wanted to make sure that...

Vice-Chairman Gatsas interjected there is plenty of time to bring them back.

Alderman DeVries asked so why don't we defer the conversation and questions to another time and you will notify their department when...

Mr. Cornell interjected if I may maybe I can simplify things a bit. As far as the Mayor's recommended budget, we can certainly live within that budget. If the figures provided from the Mayor's Office...certainly we know 2006 is going to be an extremely busy year for the revaluation and we will have a lot of abatements

but what the Mayor put in his budget we can certainly live with. There is one Appraiser Technician that we would probably have to wait...that position is not filled and we may have to wait a couple of months into the year to hire that position but we have discussed it and we can certainly live within the Mayor's budget.

Vice-Chairman Gatsas asked do we want to keep going with these questions or do we want to defer this.

Alderman Garrity stated I have one question. David, with the 3% cut if you were to not hire your Commercial Appraiser would you have to reduce staff hours – existing staff hours?

Mr. Cornell responded we may not have to decrease the staff hours but we may have to increase the overlay because not having that Commercial Appraiser...

Alderman Garrity interjected I am talking about the proposed 3% cut off of the Mayor's proposed budget. If you were not to hire your Commercial Appraiser would you still have to reduce hours for your existing staff?

Mr. Cornell replied I don't want to commit affirmatively but probably not.

Alderman Garrity asked are you telling me you wouldn't have to reduce hours if you didn't go ahead and hire the Commercial Appraiser.

Mr. Cornell answered if the Commercial Appraiser position was not hired we would probably be able to keep the current staff levels, however, we may have to adjust the overlay account because it takes a lot of time and expertise to take these cases forward and defend them. We can lose \$50,000 or \$100,000 very quickly if we don't defend these cases properly I would advise the Board certainly against heading in that direction.

Alderman Lopez stated I think we should just make this simple. You have the Mayor's budget there. Give us bullet points as to what is going to happen with the 3% cut from FY06. It is very simple. I don't think you have to come back. Just send us a document on those two items. We are just killing a dead horse.

Mr. Cornell stated I don't want to repeat myself but as far as the Mayor's budget...

Vice-Chairman Gatsas interjected so you are telling us that you can accept the Mayor's budget.

Mr. Cornell responded that is correct.

Alderman Lopez stated but he has to answer the question since you put out the directive to the departments regarding the 3% and what that does to him. So just give us a bullet point one sheet piece of paper that if we tell you you have to cut 3% what are you doing to do. Work it out with the HR Director.

Alderman DeVries stated it is not what we ask you to do it is what you would do with that. How would you handle it?

Mr. Cornell responded right and the challenge there at least to my understanding it is 3% from the FY06 figures so it is really a bigger cut than 3% because we are taking current figures and actually salaries go up but we are taking last year's figures and going back so the 3% gets expanded rather quickly.

Deputy City Clerk Johnson asked could you forward that information to the Clerk's Office for distribution to the Board.

Mr. Cornell answered sure.

Vice-Chairman Gatsas stated but I would think that in your revenue line you would be able to find \$72,000. I will leave it at that

Alderman Roy stated switching gears to your revenues you have three inter-governmental revenues listed as other housing unit in lieu of taxes, Carpenter Center in lieu of taxes and MHRA in lieu of taxes. Could you provide this Committee a breakdown of which properties...what they are, what the assessed value would be if they were paying taxes and what the payments are in a list of broken down properties for those three revenues?

Mr. Cornell replied we could certainly do that.

Vice-Chairman Gatsas stated I think you sent me something that talked about the statement that you made last night. I think the RSA is pretty clear that you can charge 10% of revenues because I went back and looked at it.

Mr. Cornell responded that is correct and I should clarify that tonight. I misspoke last night. There are some properties that are completely tax exempt. There are other properties that may be exempt but they fall under an RSA and we can tax them at 10% of their revenues. The ones we list here, most of them, we get 10% of their rents.

Vice-Chairman Gatsas replied I think side by side we should get something in that list that shows us if they were not tax exempt what the full tax dollar to it would be.

Mr. Cornell responded sure we can provide that.

Alderman O'Neil stated we may have asked for this and if we have I apologize but have we gotten a list of all vacancies in the City. Vacant positions?

Vice-Chairman Gatsas responded I don't believe that we have it on a list but I would ask every department when they do their 3% cut tell us how many vacancies they have.

Alderman O'Neil asked wouldn't it be good to get it from HR. The one thing we need to do is it needs to be updated because we may have as we move forward here something that was based on this week and a month from now it may not be accurate. You need to have it updated weekly or every other week. It is not a lot of work but it will help us I think in our deliberations when we have discussions with the departments. I would like to see us get that as soon as possible.

Vice-Chairman Gatsas responded absolutely. HR can get that.

Ms. Lamberton stated we did one yesterday and we will be happy to get that to the Clerk's Office for distribution and if you would like us to do that once a week we will do that.

Alderman O'Neil replied that would be helpful.

Ms. Lamberton stated the one thing just so you know that we don't really track because they are really not full-time permanent positions...that is what we are really tracking is like all of your summer help in Parks.

Alderman O'Neil responded that is fine.

Ms. Lamberton stated jobs like that we don't track.

Alderman O'Neil asked will that also give the salary and the benefits.

Ms. Lamberton answered it does not.

Alderman O'Neil asked can we get that though.

Ms. Lamberton answered we can give you the minimum rate for that particular job title.

Alderman O'Neil stated anything would be helpful.

Ms. Lamberton stated it will list the department, the job titles, how many positions are in that job title by department and how many positions are vacant. We could add another column with what the entry-level salary is if that is what you would like.

Alderman O'Neil asked with benefits.

Ms. Lamberton answered you always add...

Alderman O'Neil interjected if you could put that on there that would be...it would be good if we had a list of positions, salaries, and benefits. That would be helpful.

Ms. Lamberton replied I would be happy to do that.

Vice-Chairman Gatsas asked how many positions do you current have Mr. Cornell now.

Mr. Cornell answered we currently have 10 full-time positions. Two of those positions are currently vacant.

Vice-Chairman Gatsas asked how long have they been vacant.

Mr. Cornell answered the Commercial Appraiser position has been vacant since December. That was the position I previously held. Then there is an Appraisal Technician position that has never been filled.

Vice-Chairman Gatsas asked for how many years.

Mr. Cornell answered it was created I believe two years ago. It has never been funded.

Vice-Chairman Gatsas asked and what is the base salary of that.

Mr. Cornell answered it is around \$31,000.

Vice-Chairman Gatsas stated so probably could get you close to that 3% if we eliminated that position.

Mr. Cornell responded no.

Vice-Chairman Gatsas asked you don't have the funds for it.

Mr. Cornell answered in the Mayor's budget it is not fully funded so if we waited probably two months...

Vice-Chairman Gatsas interjected I have a lot of people who know your department better than you do and they won't let you answer. How about if you give me the answer. In the Mayor's budget it is partially funded?

Mr. Cornell responded yes. We would have to wait a month or two to have the complete funding to hire that Appraisal Technician.

Vice-Chairman Gatsas asked so in the Mayor's budget it is funded. If I look at that number that is at \$780,000. So basically if I took the position out you would be somewhere around \$750,000 or \$745,000.

Mr. Cornell answered that is correct.

Alderman Lopez asked does anybody know whether or not the entire amount of vacancies that exist on the rolls now have or have not been funded in the Mayor's budget for FY07. Anybody? Can we get that answer?

Ms. Lamberton answered all of the positions that are on the vacancy report were funded. They are authorized funded positions.

Alderman Lopez asked in the Mayor's budget for FY07.

Ms. Lamberton answered I don't know about FY07.

Vice-Chairman Gatsas asked were they funded in 2006.

Ms. Lamberton answered yes.

Vice-Chairman Gatsas asked so if I take those funded positions in 2006 and what I asked everybody to do was take their budget from 2006 and reduce it by 3% so if they were funded in that budget and we eliminated or red lined that position we might be able to get to that 3% cut.

Alderman Lopez answered I understand where you are going but if the Mayor has already taken that money out...

Vice-Chairman Gatsas interjected we are starting with a clean sheet remember. We started with 2006 and that is why as I explained to you last night at the state level those vacant positions have been filled and we have eliminated them and brought them down to a complement where they can run their department.

Mr. Cornell stated regarding the Appraisal Technician, if you look at a revaluation and you break it up into components one of the biggest components is the data collection phase. With that Appraisal Technician, the data collection phase we feel we can do all in house. So going forward when we do revaluations at least that component would be a component that we would do all in house. That is a benefit, so you understand, of that position.

Vice-Chairman Gatsas replied right but I think if we took a look at 2001's budget my bet is that same technician was vacant then.

Ms. Lamberton stated no.

Vice-Chairman Gatsas responded there was another one that was vacant then.

Ms. Lamberton stated no I think it was two years ago that Mayor Baines asked Steve Tellier to propose a staffing plan to reduce the expenses for hiring outside people to do the revaluations. I believe originally there were 14 or 15 and it was brought down a couple and the only position that had not been funded until now was the Appraisal Technician. All of the other positions under that have either been funded or removed from the list.

Alderman Roy asked David if you did not receive that Appraisal Technician position what would the cost of hiring an outside contractor be.

Mr. Cornell answered for contract work typically for the assessing field it is anywhere from \$45 to \$65 an hour to hire an outside contractor to do the work.

Alderman Roy asked but in order to do the revaluation data collection in-house...I won't put you on the spot but put a number on that when you come back because if you are going to lose a \$31,000 position and we are going to have to pay out \$50,000 in hourly fees to a contractor it is not a win for the City or the taxpayers. Please put those numbers together as well.

Alderman O'Neil stated I don't necessarily disagree with you about starting with a clean sheet of paper but one thing we do have in front of us is the Mayor's recommendation. It is there. It is going to be a column in every presentation we have. We need to find out...this will be the third or fourth night this is asked. We need to find out what he funded in those budgets. Every night we have sat here we

have asked the same question. What is funded in his budget? Are the salary positions funded? I agree that we are starting...we might be running a parallel course with the Mayor but we still have to find out what did he fund in his number. This is like the fourth night it has come up and we have to get some answers on it. Did he leave a position out? I know you can't answer that.

Vice-Chairman Gatsas asked do you want to make a motion.

Alderman O'Neil moved to request the Mayor's Office to provide the background information on how they recommended their budget. Alderman Shea duly seconded the motion.

Alderman Roy stated the Mayor has said on a number of occasions that he put together a zero-based budget. A zero-based budget is based on priorities starting at the zero dollar and working priority 1, 2, 3, and 4. I would like to see how that is prioritized so that we can see what is built into that and what the priorities of the Mayor's Office were. If you were to request budget information I would also like to see that zero-based budget that has been touted and the priority list that goes along with that.

Alderman Lopez stated I have a question for the Finance Officer, who is an officer of the City. Does he or his deputy know anything about this budget? Do they know the details of it?

Mr. Clougherty responded we met with the Mayor today and we discussed this with him and sensed the frustration of the Board on this matter. He told us that we would have something by the end of the week that would be available for the Board.

Alderman Lopez asked so you know none of the details of this budget.

Mr. Clougherty answered we know some of the information but the policy issues and the decisions on why he made the funding levels in the various departments is really something that I think he needs to respond to. It is his budget.

Alderman Lopez replied I am not questioning that but you as the Chief Finance Officer and officer of the City, do you have any information that you can share with us and you don't have to do it tonight but can you give us anything on this budget as an officer of the City.

Mr. Clougherty stated that is why I said today I sensed the frustration of the Board over the last couple of nights and we met with the Mayor today and we are going

to make sure that the Board gets something next week that clarifies what is in there to the extent of what we know at a minimum.

Alderman Lopez stated if we don't get anything from the Mayor I will request that you, as an officer of the City, provide that information to this Board.

Mr. Clougherty responded we are going to work that through and give you the information.

Vice-Chairman Gatsas stated let's end this debate and I will ask Alderman O'Neil to withdraw his motion. If they are going to bring it forward we will wait until the end of the week and if not you can remake the motion next week.

Alderman O'Neil stated I will withdraw it but if we don't have it at the end of the week I will be making the motion next week. It is not a threat, Mr. Chairman.

Vice-Chairman Gatsas replied I don't have a problem with that. I respect that.

Mr. Clougherty stated if I may we mentioned that we would work with the Mayor on Thursday and Friday of this week so we might not have it by the end of the week but certainly by the beginning of next week we will have it for the meetings.

Vice-Chairman Gatsas stated our first meeting is Monday, April 17. There is a road hearing and then the Committee on Finance meets.

Alderman Shea withdrew his second.

Vice-Chairman Gatsas asked any other questions of the Assessors.

Alderman Garrity stated David I am looking at your budget here. Do you have a line item for contract services? You were just discussing contract services – anywhere between \$45 and \$65 an hour. Is there a line item for that in your budget?

Mr. Cornell responded no there is not.

Alderman Garrity asked where does that fall in your budget.

Mr. Cornell asked for the current revaluation.

Alderman Garrity asked for the position that hasn't been filled.

Mr. Cornell stated there is no line item for that right now.

Vice-Chairman Gatsas asked are those funds available for you in the revaluation numbers that we contracted out.

Mr. Cornell stated part of the CIP money that we received will pay for the revaluation.

Vice-Chairman Gatsas asked so you have money for outside contractors to do this in the money that we appropriated through CIP.

Mr. Cornell answered that is just for the current revaluation.

Vice-Chairman Gatsas stated I understand. So to make sure that we are not affecting the taxpayers by contracting out the money has already been paid so if we redlined that one person it is not affecting anybody at \$65/hour because we have already paid for it once? Yes, it is in the CIP.

Mr. Cornell responded the data collection would be going forward. By September they will be pretty much backed up and gone so after September everything reverts back to us doing all of the work internally so that position is looking forward.

Vice-Chairman Gatsas asked do you know if there is going to be any money left out of that CIP number.

Mr. Cornell answered I don't believe so, no.

Vice-Chairman Gatsas asked can you get an update and let us know if there is anything left in there.

Mr. Cornell answered it is my understanding that the last payment is actually coming from Cash but you may want to check with Finance on that.

Vice-Chairman Gatsas asked is it within the budget or above the budget.

Mr. Cornell stated I will double check on that but I talked to Sam Maranto, the CIP Coordinator, and he explained that they budgeted the revaluation over a number of years to break it up into bites and it was his feeling that the last payment was going to be a cash payment and not actually go to CIP.

Vice-Chairman Gatsas stated so we will have you back so that you can give us a coordinated approach on that number of the 3% cut and the vacancies that you have within that.

Mr. Cornell responded okay.

b) MCTV

Vice-Chairman Gatsas stated I guess my first question is the five employees that are currently at MCTV are they employees of the City or employees of the School District.

Dr. Grace Sullivan, MCTV Director, stated as we have been since 1992, MCTV employees are School District employees and as since 1992 the City has either funded MCTV from 1992 to 2000 from cable fees or beginning in the Year 2000 funded by the municipal general fund. So yes we are in a very unique...MCTV is very unique.

Vice-Chairman Gatsas replied I am just trying to make sure that we get a clear picture because on page 2 I notice that it says that Channel 16 and Channel 22 if the Mayor's budget is approved that you will be shut down.

Dr. Sullivan responded yes. It is a zero budget and if we were funded at the Mayor's budget level it is zero funding.

Vice-Chairman Gatsas asked so those five employees would be eliminated.

Dr. Sullivan answered yes, yes, under the Mayor's budget yes. That is what we understand and we haven't been told any differently.

Jason Cote, MCTV, stated under the Mayor's budget there was a consolidation to the School Department and from what I understand at the School Board meeting last night Superintendent Ludwell stated that the School Board and School Department would not fund MCTV this year.

Vice-Chairman Gatsas responded well then it would truly be the School District that would be laying off those five employees and not the City because they are not our employees to begin with. I am just trying to get a clarification and I just want to make sure that we all understand where we are going forward because they are not City employees.

Alderman Shea stated I am not sure...who paid you. How do you get your pay? Does the School Department pay you? How do we define who works for whom if your pay comes from one source...I am not sure? Could you explain please?

Dr. Sullivan stated prior to 2000 Manchester Community Television received 1% of the cable gross annual. Cable fees. In the year 2000 during the contract renewal the Board of Mayor and Aldermen voted that MCTV would not receive anymore guaranteed funding and that MCTV would come to the Board of Mayor and Aldermen and receive funds from the general fund every year. That is how we received our funding. In 2005 public access television was separated from MCTV and is now MCAM. It is a non-profit. This was done after a year long process and study. MCAM, the public access non-profit, was given an annual guarantee of 1% of cable gross revenues, which was estimated in 2005 to be \$231,770 and this is guaranteed through 2015, the life of the contract. 5% of five cents of every dollar that Comcast customers spend on cable TV goes to the City of Manchester.

Alderman Shea stated excuse me for interrupting but the money that you people receive from your salaries and benefits come from Comcast or the School Department.

Dr. Sullivan responded the School Department doesn't fund MCTV. From 1992 until 2000 it came from the cable fee. It wasn't Comcast at the time. It was United Cable and three other cable companies. From 2000 on we have come here to this Board and asked for our budget, presented a budget and then the Board have given us the budget. This is the first year that somebody has questioned that.

Alderman Shea asked the money that used to come to MCTV that has been eliminated by the Mayor, where is that money going now. What happened to that amount of money?

Mr. Cote answered the money is still received. After MCAM receives its 1% it is about \$940,000. Last year it was \$1.158 million. It goes into the general fund. 1% goes to MCAM and from there what happens is the School Department...we are employees of the School Department. The budget gets set in the general fund from the Board of Mayor and Aldermen then what happens is at the end of the year the School Department says okay MCTV has used this much of their budget and they come back and are reimbursed from the general fund. We make sure that we never go over that amount.

Alderman Shea asked how much money this year without revealing benefits and salaries, approximately how much money should have gone or would have gone to pay the salaries of the employees of MCTV. Is that a couple of hundred thousand? I am not sure.

Mr. Cote answered in this year that just passed it was \$458,000 but a section of that went to MCAM for public access to start off. The rest of that was left over in the general fund and as of the middle of June this year the School Department will tell the City's Finance Department okay this is what the budget was...

Alderman Shea interjected I am trying to find out...there is so much money that covers your salary, Grace's salary and the other employees salary. Where does that money go if it doesn't go to you people?

Mr. Cote responded it just stays in the general fund.

Alderman Shea stated so we don't have any documentation as to where that went. In other words did it go to fund something else?

Mr. Cote replied we are not the people to ask that question.

Alderman Shea stated so I guess we need documentation. My second point is and I want to make it very clear, the implication of not funding your positions will result in Channel 22 and Channel 16 going off the air as of June 30. Is that correct?

Mr. Cote answered that is correct.

Alderman Shea stated so basically the Aldermanic meetings will not be televised and the listing of different items that you have indicated here, which are multi-faceted will not be done if the Mayor's budget is approved.

Dr. Sullivan responded yes.

Alderman Shea stated I want to make that very clear to the general public. If the funding for your positions is not forthcoming and if the Mayor's budget is adopted in totality then you people will be out of business and so will MCTV be out of business? Is that correct?

Mr. Cote replied unfortunately yes.

Dr. Sullivan stated that's it.

Alderman Shea stated I can't make it any plainer or simpler than that.

Dr. Sullivan responded I can't either. No more meetings. We did 96 sporting events. It's over.

Alderman Lopez stated Tom Arnold you have been involved with contracts and MCTV and anything else that has to do with TV. I know that a few years ago when the Supreme Court made the ruling that the School Department was separate and all of that stuff...do you know...

Vice-Chairman Gatsas interjected we can help you with that and put that back on the ballot.

Alderman Lopez stated we can talk about that.

Vice-Chairman Gatsas stated the law has been changed and we can put that on the ballot.

Alderman Lopez asked, Mr. Arnold, do you know of any written agreement...I know when the Finance people have come before us in previous budgets it has always been said that we receive the money and fund MCTV. Is there any legal written agreement with the School Department that we receive the money but we have to take care of MCTV or anything along that line?

Deputy Solicitor Arnold answered not that I am aware of.

Alderman Lopez asked do you know of any federal regulations that if they go off the air could there be a suit.

Deputy Solicitor Arnold I guess as I often say anybody can sue and there might be the chance or the likelihood of success of such a suit. I really couldn't give an opinion on it at this point. Under the contract we do receive 5% of revenues that Comcast sees from cable TV here in the City. I am not aware of any federal law and that is not to say it doesn't exist but I haven't had to research any federal law that says we have to provide those services, i.e. MCTV or MCAM.

Alderman Lopez asked is it an easy situation to find out has there ever been a suit or anything in education or government channels.

Deputy Solicitor Arnold answered I could certainly attempt to determine that for you.

Vice-Chairman Gatsas asked you are not rethinking the 1% to MCAM that we may be able to bring them in and do a budget with them. I would think that this Board could take that opportunity if they wanted to.

Alderman Lopez asked to bring MCAM in. No we have a written agreement with them and unless they are doing something wrong...

Vice-Chairman Gatsas interjected no agreement is binding from one Board to the next.

Alderman Shea asked if the City Solicitor's Office could get that to us regarding the legal implications here it would be appreciated because the sooner we know the legal implications the better as far as any kind of federal regulations governing Comcast or whether or not they decide to do away with television for the schools or what have you. If there is something that they have some agreement someplace that might impact this when the Mayor's budget is approved, if in fact it is approved.

Alderman Garrity stated basically the SAU has told you they will not fund you. Is that correct?

Dr. Sullivan responded last night at the School Board meeting I watched the meeting this morning and it will be on tomorrow night and it is on the weekend and the Superintendent said that he did not have the \$411,000 for MCTV in the budget and that it had no prior knowledge from the Mayor that MCTV should be included in the School budget.

Alderman Garrity asked prior to 2000 who paid your salaries.

Dr. Sullivan answered we had a percentage of the cable fees.

Alderman Garrity asked did it come out of the School District.

Dr. Sullivan answered we were in the School District.

Alderman Garrity stated I was a School Board member back then so I could remember your salary coming out of the School District.

Dr. Sullivan replied right. 1% went over. It was a grant, like a federal or state grant that went over to the School District to pay us.

Alderman Garrity asked have you received any written documentation from the School District saying that they are not going to fund you.

Dr. Sullivan answered no not yet. We are just going on what was stated in last night's meeting.

Alderman Garrity asked do you or any of your employees still hold membership in the MEA.

Dr. Sullivan answered I do. There are two directors that are left that are still members of the MEA. There used to be a lot more but as we get older people retire but there are two of us left.

Alderman Roy stated this question is directed to the Finance Office if Kevin or Randy want to come up to the microphone. Just to go in the direction Alderman Shea was going in earlier, our cable TV fee listed under revenue in the Clerk's Office was \$951,000 approved for FY06. By my numbers the 2006 budget for MCTV was \$458,665. Is that from memory about accurate?

Mr. Clougherty replied yes.

Alderman Roy stated we split off 1% of the 5% fee to MCAM, which is \$190,000. Still accurate?

Mr. Clougherty responded yes.

Alderman Roy stated that leaves \$648,865 going to the general fund out of the cable TV fee.

Mr. Clougherty responded yes. The \$900,000 is a general fund revenue. It always has been. It comes into the City Clerk's Office and just like any other general fund revenue it is applied against the expenses of the general fund.

Alderman Roy replied I am not debating that but without the cable TV fee...let me restate this a different way. When that was negotiated what level of public access was created because there was a cable TV fee?

Mr. Clougherty stated I would have to research that. I don't recall. I would be happy to look at that and go back and reconstruct if that is something that you would like to have.

Alderman Roy stated the two problems I have with this is our public access doesn't have a revenue line item, which the cable TV I believe is associated with the cable company and giving us the 5% franchise fee so that we can have PEG access. So as we look at their numbers we put almost \$650,000 into the general fund as part of the franchise fee and so as we look at this it is kind of misleading because MCTV doesn't have a revenue but their function is created by a very substantial revenue to the City. Do you disagree with that?

Mr. Clougherty responded not theoretically no. I think that is probably true.

Alderman O'Neil stated I have questions for Mr. Clougherty. Could you just walk us through the mechanics of how the system has worked? They are all School District employees and I am not sure I understood Grace or Jason correctly. Is there a chargeback? Does their weekly or bi-weekly salary come from the School District?

Mr. Clougherty responded right. It is a reverse chargeback. Usually what happens is we pay out of the general fund side and it goes back to the School District. This is just the opposite. They pay and then we reimburse.

Alderman O'Neil asked do you know if we are reimbursing for anything other than salary and benefits.

Mr. Clougherty answered I can go back but I believe it is their operating costs – the entire operating budget.

Alderman O'Neil asked so there is a number to electricity, heat, etc.

Mr. Clougherty answered right. If you look at your budget book for this year and the one page sheet there is an MCTV appropriation in the general fund. If you go to the budget book there are all of those line item details. The expenses run through the School District and they can't exceed that appropriation amount and there is a chargeback.

Alderman O'Neil stated and this has operated since I think Dr. Sullivan said 2000 more or less on a handshake.

Mr. Clougherty replied yes I think that has been the agreement.

Alderman Roy asked Dr. Sullivan looking at your 2006 adopted budget and your 2007 departmental request they are identical and with the spin-off of MCAM I expected some change. My question is your department numbers, how have they changed and how has the loss of MCAM or the change in MCAM affected your budget?

Mr. Cote stated last year's budget was \$458,000. This year with minus the 3% it is \$399,000 so that is a difference of \$59,000. We lost an employee who went to MCAM and that was pretty much that employee's salary and benefits. The change from last year to this year.

Alderman Roy stated the numbers forwarded to me for the departmental request was \$458,000.

Mr. Cote responded that was last year's.

Dr. Sullivan stated that was last year when we had everything – PEG and now we only have EG.

Alderman Roy asked so what I have listed as a FY07 departmental request is actually lower by \$39,000.

Mr. Cote answered by \$59,000 with the 3% cut requested by Alderman Long.

Dr. Sullivan stated we did the 3% cut today when we heard that we were supposed to do it.

Alderman O'Neil asked can I get clarification of the 3%. I knew this was going to happen.

Vice-Chairman Gatsas asked you can live with your 3% cut.

Mr. Cote stated yes.

Alderman O'Neil stated we have two different interpretations of the 3%. We talked about this last night. Assessors took 3% off of FY06 and MCTV took it off the Mayor's approved or your requested?

Dr. Sullivan responded the Mayor's approved is zero.

Mr. Cote stated we took the 3% off of what we requested for FY07.

Alderman O'Neil replied see they took it off what they requested for FY07 and not the 2006 budget. That was my concern that not everybody was going to come off the same...

Mr. Cote interjected well because ours was lower we went with the lower number to take the 3% off.

Alderman Roy asked the 2007 departmental request that I was referring to is the one you sent the Mayor as he put together his budget.

Dr. Sullivan answered right \$411,000.

Alderman Roy stated he has it at \$458,000 so I guess there is a miscommunication there.

Mr. Cote stated it says MCTV requested \$411,000 and then it says the Mayor allocated zero.

Alderman Roy asked so you are comfortable living with \$399,000.

Mr. Cote answered yes.

Dr. Sullivan stated we would still be living.

Alderman DeVries stated I would like to talk a little bit more about the lawsuit because that is certainly a concern that I have. We should look to see if there is a history of legal action previously when the revenues were being received by a community but the services were not being provided. I think even though the City Solicitor wasn't familiar...because you follow cable television very closely you had some precedent that was somewhat similar that you had apprised me of.

Dr. Sullivan responded there was a suit in Maine, Biddeford I think.

Mr. Cote stated there was a suit in Maine where they tried to remove public access - first amendment rights, free organization and it came back in a lawsuit.

Dr. Sullivan stated they had education and government and the question was can you have...if a town has education and government then you have to have public if you started with it.

Alderman DeVries asked and that is the flip of what we are talking about here. It is the exact opposite.

Dr. Sullivan answered right.

Alderman DeVries stated I hope the City Solicitor took some notes so that maybe he can take a look at that and see if there is any precedent because the last thing we want to do is spend money on attorney fees unnecessarily.

Alderman Smith stated you have five positions here. What is the average length of time and how many are considered School District employees?

Dr. Sullivan responded all of the employees right now are School District employees.

Mr. Cote asked are you talking about years of service. Thirty-four years for Grace, eight years for myself and five for the Educational Access Coordinator and

Government Access Coordinator and then the Operations Assistant has a few years.

Dr. Sullivan stated if you add my length of service in I will bring up the average.

Alderman Smith asked did you meet with the Mayor before he made his proposal.

Dr. Sullivan answered yes I did.

Alderman Smith asked did you meet with him with the School District or Dr. Ludwell.

Dr. Sullivan answered I met with Bill Sanders. Every year before I bring my budget to the Mayor's office I meet with the Finance Director of the School District. I go through my budget and then bring it to whoever is doing the budget for the Mayor. Last year I met with Seth and this year I met with Sean and Mayor Guinta.

Alderman Smith asked what do you think the reasoning is behind this. I can't comprehend because I think public access is very good. I don't wish it at some of the Aldermanic meetings because I think they would be shorter but what is the reasoning behind this? I can't figure this out at all.

Dr. Sullivan answered I would say that I think public access is good but I think education and government is better to be honest with you because we are talking about funding education and government. Public access is funded through the year 2015. I can't speak for the Mayor. When we were meeting he went through the numbers and asked me where do you think MCTV should be and I said I think MCTV should be in the School District and funded by the Board of Mayor and Aldermen as it had been since the year 2000 because the system worked pretty well. It is a very unique situation. We have shared resources. The MST video program uses the studio half the time. It is that NH advantage. We all work together. Sometimes like on Monday I was doing a show in the City Assessor's Office and on Friday I was at McLaughlin School. We are all doing different things. We might be doing a sporting event. Watch the baseball game that Jason did yesterday. It was an awesome sporting event. You know you might be doing a sporting event one day and the next day working for government. We are all working together. We put out a lot of programs.

Alderman Smith stated I can't comprehend this for one reason or another. I never heard of somebody not funding something that is so worthwhile. This addresses young people and old people and people involved in education. I just can't figure it out and I would like the Board to ask the Mayor what his reasons are. He is the

Chairman of the School District and the Board of Mayor and Aldermen and I wish that you would do that, Mr. Chairman, and ask him his reasons. This is the first time I saw it.

Alderman Shea asked when you met with the Mayor what did he say to you.

Dr. Sullivan answered it was a very cordial meeting. I presented my budget and the list of programs. I went over the programs. I said what we had done...

Alderman Shea interjected did he say that he was going to fund this.

Dr. Sullivan replied yes he did. He said he was going to fund it.

Alderman Shea asked would you repeat that. Did he say he was going to fund this program?

Dr. Sullivan answered Mayor Guinta told me at the end of the meeting that we would be funded and that it was such a small amount of money in terms of the impact on the tax rate...

Vice-Chairman Gatsas interjected we are back to this clear white piece of paper so can we just stay focused on the clear white piece of paper.

Alderman Shea stated the white piece of paper is something that is conjured up but I am interested in factual information.

Vice-Chairman Gatsas replied no it's not. It is truly a piece of this discussion.

Alderman Shea stated no we are getting into leaky waters...now the Mayor indicated to you that he was going to fund this. Is that correct?

Dr. Sullivan responded yes.

Alderman Shea asked he didn't say how he was going to fund it. Is that correct?

Dr. Sullivan answered not at that point no.

Alderman Shea stated my understanding is there was a meeting with the School Department and at that meeting a young student presented a proposal for funding of a course at MCTV. Is that course now being adopted in the School Department? In other words are people receiving credit yet for participating in MCTV?

Dr. Sullivan that is the extended learning course, which I am very proud of that the students put together. We have been working on it for two years. The School Board approved it. It is based on...if you look at the Fred Bramante model of extended learning after school extra credit. The School Board approved that and it will start in September. What happens is the students come in at 3 PM. In fact a student came in today while I was getting ready for the budget thing to do a show and I stopped to help.

Alderman Shea asked if you are closed out at the last part of June there would be no course.

Dr. Sullivan answered no.

Mr. Cote stated a very important part of that is that it is no extra cost to the School Department for this program. No cost whatsoever for this program at all.

Alderman Shea asked how many people would you estimate would be involved in this.

Dr. Sullivan answered I don't know the numbers yet for the fall. The kids this year because it was a pass/fail we had about nine students and this time of year they are all coming in and telling me what colleges they are getting into and what kind of scholarship money they are getting.

Alderman Shea asked so if this course is not held certain children...I mean if you are closed down certain children who do get scholarships or potential scholarships that would be another impact is that correct.

Dr. Sullivan responded right. I am very proud of...I am not going to add it up but the tremendous amount of money in scholarship aid that has been provided.

Alderman Shea stated I think this is important because we are going right into the essence of students being denied.

Vice-Chairman Gatsas replied I agree with that you are saying but if somebody is getting credit for something and that is an educational course then I look at the School District and say maybe they should start thinking of partnering up with the City because that is a true educational course.

Alderman Shea responded we don't set the bottom line for the School Department. We just give them a budget.

Vice-Chairman Gatsas replied we give them the bottom number.

Alderman Shea stated right that is all we give and they have to decide.

Alderman O'Neil stated I am going to give the Mayor the benefit of the doubt on this. I don't think this was his intent and I think maybe he and I am not speaking for him. I have not had a conversation with him about this but I would doubt very much that it was his intent to eliminate MCTV. Maybe he thought by moving it over to the School District it was going to streamline something but obviously it has created an issue where they may not be in business come July 1. I hope leaving here tonight...I am only guessing but I think I know all of my colleagues well enough that let's find a way to fix this and not make this an issue year after year. I don't know why the School District would take the position they have. I know we meet with them in another week or so but let's maybe try to leave here tonight with some way of fixing this because I, for one, am not going to support the elimination of MCTV.

Alderman DeVries stated I would venture a guess that part of the problem with the school saying that they will take on the funding might be that the Mayor's proposal for the school system funding is cut by \$5 million below their request. As you said, that is an item that we will take up on another night. My question will be with the MST, which has many programs that revolve around the use of your facilities. Tell me how that will be facilitated and how that is going to...are they going to have to purchase additional equipment, how is that going to work if they need to carry on on their own?

Dr. Sullivan responded there are two points I would like to make about that. One point is that that really has not been discussed. We do like a shared usage where MST Video uses it half time. In terms of the ownership of the equipment it has been labeled MCTV's. It hasn't been labeled...we keep the MST Video equipment separate. We don't use any of their equipment. They use our equipment. The impact is something that hasn't been talked about yet. We have been very busy and involved with the new renovation of MST and the expanded studio from the vocational educational money. That is the MST Video program. The teacher's salary is funded by the School District. That is separate from us. If we look at the extended learning program model, that is not based on an in school project. That would be like an extended model from the State Department of Education just as students going to the Palace Theatre and doing a theatre course after school and getting a credit. There are two different models there. I think extended learning is very exciting. MST Video again is funded by the School District. They utilize our equipment. We haven't even discussed it yet.

Alderman DeVries stated I think I need a little more clarification. With the MST program it is 100% separate from education and government TV?

Dr. Sullivan replied right. The School District pays the video teacher. The curriculum is set by the video teacher. The amount of programming is a lot different. The teacher before this teacher had probably 80 programs a year. When I was the teacher I had like 100 programs a year. His focus is turned around differently. We have a new principal and when I listen to her I think her focus is going to be different.

Alderman DeVries stated I think I heard you say that you don't use any of their equipment but they use some of your equipment.

Dr. Sullivan responded right.

Alderman DeVries asked could you elaborate on that because I don't think we got a full answer.

Dr. Sullivan answered they use studio equipment. We have a full production studio. It is a very small studio but we have very good cameras.

Mr. Cote stated we have a control room and monitors and the students use it to offset...some weeks we have it Monday, Wednesday and Friday and they have it Tuesdays and Thursdays and then it switches around. Yes, they use the equipment.

Dr. Sullivan stated yes they use the equipment but we don't...they get Carl Perkins money and they buy equipment but we don't use any of that.

Alderman DeVries stated my concern would be that is a regional school district if you will and if it is jeopardizing any piece of that program I think you do need to get clarification from the School District on how that is going to reflect with their regional contract or whatever they have with MST.

Dr. Sullivan replied like I said we are involved with the rebuild. This opens up a lot of questions and for me I have been doing this for 14 years. When MCAM was going to become a non-profit the City took about a year to go through that whole discussion and the discussion for us has been tense yes. It has been pretty short. It has been like zero funding and somebody said okay pick yourself up again and get back into it. That is what you have to do.

Alderman Lopez stated I was wondering if the HR Director could find out if they close down the employees benefits how much money that is as far as their leave and sick pay and unemployment and all of that where that would come from.

Vice-Chairman Gatsas responded that has nothing to do with the City side.

Alderman Lopez stated I realize that but I think it is important. The other thing I wanted to ask Tom Arnold is when the negotiation of the contract was done indicating that we had PEG access TV channels and different things that we required in the contract that Alderman Gatsas negotiated very well could we lose that money if and you probably don't know the answer but is there a possibility that we could lose that revenue if we don't fund MCTV?

Deputy Solicitor Arnold replied under the current contract I don't believe so, however, let me make clear that there are really two funds of money. One is the franchise fee, which is based on revenue as defined by federal law in the agreement. That is the 5% we have been discussing. There was also a grant of if I remember correctly and as I often say relying on my memory is always dangerous but there was an initial grant I think of \$900,000 with a second grant when we amended the contract a couple of years ago of I want to say \$300,000 that was restricted to funding equipment and facilities for the PEG access channel.

Alderman Lopez asked if you could just give us some guidance legally. We said we were going to do things. We took money from them and if we shut down everything...I think it is just an oversight and they forgot to put the money in your budget really. We will go from there.

Alderman O'Neil asked can we get the Finance Department to confirm whether or not that money was put into the recommended budget for the School District.

Vice-Chairman Gatsas answered I will assume that that will be part of what they are bringing forward on Monday.

Alderman O'Neil stated okay and if it was included and the School District has some thoughts about not keeping MCTV then in my opinion we cut the school budget by that amount and continue with the agreement we have currently.

Vice-Chairman Gatsas responded I don't disagree with your thought process. I think that we should put things in perspective because there is nothing that says tomorrow that at least the government access couldn't be put out to bid. That could very easily be done. That is just a suggestion because I know that I was not in favor of allocating 1% to MCAM because I knew that this was going to come rearing its ugly head in a very short time. I certainly don't think that the people who have been around for 14 years should be treated any less than the people came in to do the MCAM deal so maybe this Board needs to rethink its thought process and make MCAM come in here on a regular basis for their budget rather than just an allocation of 1%. When we negotiated that contract we specifically

took out the 1% for MCTV. It was very specific and to put someone else in that 1% was the wrong thing for this Board to do.

Alderman Garrity stated I would like to echo Alderman O'Neil's comments earlier in the night when he stated that he didn't think it was Mayor Guinta's intention to discontinue Channel 16 and 22. I think that was far from his thoughts. In your earlier statement you said that the School District told you they weren't going to fund you. Is that right?

Dr. Sullivan replied when I watched the meeting I am going to quote...I spoke to Dr. Ludwell about this.

Vice-Chairman Gatsas stated let me just stop you for a second there Dr. Sullivan because I think that they are coming in a week from Saturday and I think that we have an opportunity at that point rather than putting employees in a vulnerable position of quoting something, which I don't think they should be doing...I think we will have the opportunity as a Board to go through that line item by line item in the budget.

Alderman Garrity asked so Mr. Ludwell did not tell you that he wasn't going to fund you. He didn't tell you that personally or anything did he?

Dr. Sullivan answered it is very late at night and trying to remember what has been said to me and what hasn't been said to me over the past 10 days, which has been a very difficult period for myself and my staff.

Vice-Chairman Gatsas stated why don't I help you out. Why don't you leave your comments, rather than obviously we are live and somebody is going to watch the tape and they are going to say there is a quote. I think that with all due respect, Alderman Garrity, and I know where you are going and I am sure that the Mayor's intent was not there but I think that these should be the tough questions because it is not the City saying we are not going to do this. It has been the School District. They are School District employees. I don't think tomorrow if we wanted to fire any of these employees that we would have the ability to do that.

Alderman Garrity responded no we don't. They are School District employees.

Vice-Chairman Gatsas stated I think it was very clear probably in the Mayor's budget that he allocated MCTV to be funded through the School District.

Alderman Shea asked do you get any state or federal funding at all.

Dr. Sullivan answered we had in the past gotten various grants. Again what happened was we just went through public access leaving. We gave a substantial...

Alderman Shea interjected excuse me for interrupting but when you get the state or federal grants what are they used for.

Dr. Sullivan responded it depends what specific projects. Maybe a \$2,000 grant here for a specific project...

Mr. Cote interjected some of it may be to work on a 10 year plan for MCTV to try to get a direction on what the City wants, etc.

Alderman Shea asked when you go to workshops or other things where do you get the funding for that.

Mr. Cote answered that is actually in a line item for training.

Vice-Chairman Gatsas stated there are a couple of line items in here that we should concern ourselves with and we probably can concern ourselves when the School District comes in because there is \$7,300 that the School District takes to cut checks and administer...

Mr. Cote interjected it is actually \$20,000 that is a chargeback for copying and processing fees. The 3% cut we were hoping was going to come from that area or it was going to come from overtime.

Vice-Chairman Gatsas asked so it is \$20,000 that the School District charges...so the School District charges itself back \$20,000 to administer five employees. Maybe those are some questions we need answered by the School District because certainly that doesn't sound like an appropriate chargeback. I know that we probably get a pink slip back saying that that chargeback is not something they will pay if Tim Clougherty sent it in.

Alderman Smith stated I think there might be some miscommunication. I know the Mayor said that he was going to put it in the School District. I will give the Mayor the benefit of the doubt. I wish that everybody would follow up with the Mayor and with Dr. Ludwell and then when they make the presentation next week we will have all the answers hopefully.

Alderman DeVries stated I have one question for you. After we hear the School District and their response and have a better idea of what the Mayor's response of his actual intent was will we have an opportunity to speak with MCTV?

Vice-Chairman Gatsas replied as far as I am concerned we are still working off of this white sheet.

Alderman DeVries asked so we can have them come back.

Vice-Chairman Gatsas answered yes they will be back

There being no further business, on motion of Alderman DeVries, duly seconded by Alderman Smith it was voted to adjourn.

A True Record. Attest.

City Clerk